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November 03, 2015

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT TO SOLE SOURCE AGREEMENT FOR  
PHARMACEUTICAL REVERSE DISTRIBUTION SERVICES  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Approval of an Amendment to a Sole Source Agreement with EXP  
Pharmaceutical Services Corporation for pharmaceutical reverse distribution  
services.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Authorize the Director of Health Services (Director), or his designee, to execute Amendment No. 2 to Sole Source Agreement No. H-705564 with EXP Pharmaceutical Services Corporation (EXP), effective upon Board approval, to extend the term of the Agreement for the period of December 1, 2015 through May 31, 2017, for the provision of pharmaceutical reverse distribution services at County pharmacies at the rates listed on Attachment A.
2. Delegate authority to the Director, or his designee, to execute future Amendments to the Agreement, to: (1) add, delete and/or change non-substantive terms and conditions in the Agreement; (2) approve and make necessary changes to the scope of services; and (3) further extend the Agreement term in the event EXP's Novation Agreement is extended or renewed, so as to be co-terminus with the Novation Agreement, subject to review and approval by County Counsel.

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

12

November 3, 2015

PATRICK OGAWA  
ACTING EXECUTIVE OFFICER

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the first recommendation will allow the Director to execute an Amendment, substantially similar to Exhibit I, to extend the term of Agreement No. H-705564 with EXP through May 31, 2017 at the rates as shown in Attachment A. The extension of this Agreement will continue to provide pharmaceutical reverse distribution services at the Los Angeles County pharmacies. The current Agreement expires on November 30, 2015.

Basic pharmaceutical reverse distribution services provided by EXP include, but are not limited to: 1) sorting pharmaceuticals by manufacturer, lot number, and expiration date; 2) generating return inventory reports and all necessary DEA forms; 3) providing all packaging materials, and the boxing and packaging of pharmaceuticals for return shipment to each manufacturer; 4) preparing returned drug summary reports with anticipated return value/credit; and 5) disposing of all non-returnable pharmaceuticals/drugs, upon request.

EXP is the leading Drug Enforcement Agency (DEA) registered and licensed company providing pharmaceutical reverse distribution services on the West Coast. Approval of this extension will enable DHS to maintain cost savings and to leverage its purchasing power by accessing the Novation Agreement structured prices.

Further, approval to extend this Agreement will allow County pharmacies to continue processing pharmaceutical returns to manufacturers for redistribution or appropriate disposal in exchange for partial refunds.

DHS may solicit for this service on its own; however, DHS has determined that it is in the best economic interest of the County (i.e. significant staff time and resources are required to go through the solicitation process) to extend the current Agreement with EXP at this time. Also, this extension is necessary to ensure that no break in this vital service for County pharmacies will occur.

Approval of the second recommendation will allow the Director the flexibility to amend the Agreement to add, delete and/or change non-substantive terms and conditions in the Agreements, to approve any necessary changes to the Agreement statement of work, and ensure the County's Agreement term remains aligned with EXP's Novation Agreement term.

## **Implementation of Strategic Plan Goals**

The recommended action(s) support(s) Goal 3, Integrated Services Delivery, of the County's Strategic Plan.

## **FISCAL IMPACT/FINANCING**

The County pharmacies will receive credits and partial refunds for pharmaceuticals that are returned to the manufacturer for redistribution. The only compensation EXP will receive for the reverse distribution service is the percentage withheld from the refunds received from pharmaceutical manufacturers. Accordingly, this Agreement does not increase the Department's expenses.

All activities associated with the reverse distribution services provided by EXP will be deducted from the manufacturers' credit compensation designated for each individual County pharmacy operation, listed on Attachment A.

EXP will receive 7.45 percent of the total refund received from pharmaceutical/drug manufacturers by participating County pharmacies, \$0.54 per pound of disposal of non-hazardous waste disposal, and \$2.59 per pound for disposal of hazardous waste for the pharmaceutical/drug products that do not qualify for credit and cannot be reverse distributed.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Board authorized DHS in November of 1997 to participate in the University HealthSystem Consortium's (UHC) group purchasing by which County would achieve cost savings by purchasing medical, surgical, laboratory and pharmaceutical equipment and supplies through UHC's commodity agreements established by Novation, the supply contracting company for UHC. EXP was selected through the Novation competitive bid solicitation process, which was conducted in 2004. DHS reviewed and analyzed the competitively bid Novation Agreement for pharmaceutical reverse distribution services and determined that County would not be able to achieve a better result or cost savings by soliciting for these services on its own.

On December 11, 2012, the Board authorized the Director of DHS to execute a sole source agreement with EXP, effective upon Board approval, through May 31, 2015. The Board also delegated authority to the Director to exercise a month-to-month extension option through May 31, 2016.

Prior to executing Amendment No. 1 to the County Agreement, which would have extended the Agreement term through May 31, 2016, EXP notified DHS that their fees under the Novation Agreement had increased in 2013. EXP was previously able to provide lower rates due to a Nova Plus Agreement with Novation, which was eventually replaced by the current Novation Agreement. In order to align DHS rates with the current Novation Agreement rates, EXP agreed to extend DHS existing rates for six of the twelve-month renewal period. Therefore, Amendment No. 1 to Agreement No. H-705564 was executed on June 1, 2015, pursuant to the Department's delegated authority, to extend the term of the Agreement through November 30, 2015 with no change in rates.

EXP has further agreed to allow the County a final one-month extension through December 31, 2015 at the original rates, if needed, to ensure that there is no break in service.

The Novation Agreement with EXP will expire on May 31, 2017. Hence, DHS intends to extend the current Agreement with EXP to be co-terminus with the Novation Agreement term.

The services provided under this Agreement are highly specialized and cannot be provided by County staff. Further, these services are only needed on a part-time and intermittent basis. Therefore, the Agreement is not subject to the Living Wage Program (Los Angeles County Code Chapter 2.201) and is exempt from Proposition A (Los Angeles County Code Chapter 2.121).

The Agreement may be terminated for convenience by the County upon ten (10) days prior written notice.

The Agreement includes all Board of Supervisors' required provisions.

### **CONTRACTING PROCESS**

This Agreement was approved by the Board on December 11, 2012 as a Sole Source Agreement on the basis that EXP was both awarded a Novation Agreement for pharmaceutical reverse distribution services and because it was in the best interest of the County (i.e. administrative cost savings) to enter into the Agreement with EXP. It continues to be in the County's best interest to have an ongoing Agreement with EXP by utilizing DHS' participation in UHC to obtain cost savings and Novation pricing.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendations will allow pharmaceutical reverse distribution services to continue and will provide County pharmacies with increased savings.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is fluid and cursive, with the first name "Mitchell" written in a larger, more prominent script than the last name "Katz".

Mitchell H. Katz, M.D.

Director

MHK:hs

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

Agreement No. H-705564

AGREEMENT BY AND BETWEEN COUNTY OF LOS ANGELES AND  
EXP PHARMACEUTICAL SERVICES CORPORATION FOR  
PHARMACEUTICAL REVERSE DISTRIBUTION SERVICES

Amendment No. 2

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day of  
\_\_\_\_\_, 2015,

By and between

COUNTY OF LOS ANGELES  
(hereafter "County"),

And

EXP Pharmaceutical Services  
Corporation  
(hereafter "Contractor")

Business Address:  
48021 Warm Springs Blvd.  
Fremont, CA 94539

WHEREAS, reference is made to that certain document entitled "AGREEMENT BY AND BETWEEN COUNTY OF LOS ANGELES AND EXP PHARMACEUTICAL SERVICES CORPORATION FOR PHARMACEUTICAL REVERSE DISTRIBUTION SERVICES," approved by the Board of Supervisors on December 11, 2012, and further identified as Agreement No. H-705564, and any amendments thereto (all hereafter referred to as "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend Agreement to extend its term and to provide for the other changes set forth herein; and

WHEREAS, Agreement provides that changes in accordance to Paragraph 8.1, AMENDMENTS, may be made in the form of an Amendment which is formally approved and executed by the parties; and

WHEREAS, Contractor warrants that it possesses the competence, expertise and personnel necessary to provide services consistent with the requirements of this Agreement and consistent with the professional standard of care for these services.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall commence and be effective upon execution.

2. Agreement, Paragraph 4.0 , Term of Agreement, Sub-paragraph 4.1 is deleted in its entirety and replaced as follows:

"4.1 The term of this Agreement shall commence on December 11, 2012, and shall expire on May 30, 2017, unless sooner terminated or extended, in whole or in part, as provided in this Agreement."

3. Agreement, Exhibit B, Pricing Schedule, is modified to add Exhibit B-1, attached hereto and incorporated herein by reference.

4. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by the County's Director of Health Services and Contractor has caused this Amendment to be executed on its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By: \_\_\_\_\_ for  
Mitchell H. Katz, M.D.  
Director of Health Services

CONTRACTOR

\_\_\_\_\_  
  
By: \_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Printed Name  
  
\_\_\_\_\_  
Title

APPROVED AS TO FORM:  
MARY C. WICKHAM  
Interim County Counsel

By \_\_\_\_\_  
Jason C. Carnevale  
Deputy County Counsel

**PRICING SCHEDULE**

Effective December 1, 2015

<b>CATEGORY</b>	<b>ON-SITE FEES</b>
Processing Fee	7.45% of actual credits received ("ACR") retained by EXP as a processing fee
Controlled Substance: Schedule II	Included
DEA 222 Form Fee	Included
DEA 41 Form Fee	Included
Schedule III-V	Included
Disposal of potentially returnable products which were determined to be non-returnable	Included
Disposal Charges: Non-Hazardous	No charge first 20 lb. then \$0.54 per lb.
Disposal Charges: Hazardous	No charge first 2 lb. then \$2.59 per lb.
Shipping Costs: Customer to Supplier	County responsibility
Shipping Costs: Supplier to Manufacturers	Included
Shipping Costs: Supplier to Disposal Sites	Included
Indate Program	Included
Recall Program (not RASMAS)	Included
Inventory of non-Controlled products prior to shipment	3.5% of value
Minimum Order Invoice	\$350.00